Irish Construction Tax Compliance

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Today's Agenda - Morning

- Overview of Irish Construction Tax Compliance and Revenue focus areas
- Construction workforce tax compliance fundamentals (PAYE, USC, PRSI)
- Employees, agency workers and subcontractors - determining employment status

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Today's Agenda - Midday

- Relevant Contracts Tax (RCT) - practical construction issues
- Visiting engineers and international construction staff – tax considerations

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Today's Agenda - Afternoon

- Benefits-in-kind for construction workforces (vehicles, travel, site allowances and subsistence);
- Managing tax risk on construction projects;
- Preparing for Revenue reviews and audits;
- Q&A

Compliance Challenges faced in Construction

- Mixed Workforce models often working on the same site
  - direct employees vs subcontractors vs agency labour

- High worker mobility – employees moving between office and site, between various sites, across borders and various countries

- Complex layered contracting chains
  - i.e Principle – Main Contractor – Subcontractor etc

- Construction is a high-risk Revenue sector – compliance and keeping up to date with changes is essential

- Often large staff numbers and various projects ongoing with different tax and reporting obligations and deadlines

Revenue Focus Areas and Emerging Risks

- Employment status – Employee vs Self Employed
  - Case law – Karshan (Midlands) Ltd t/a Domino's Pizza and the five step framework

- Relevant Contract Tax (RCT)
  - Contract notifications
  - Payment notifications
  - Correct deduction rates

- Enhanced Employer Reporting Requirements (ERR)
  - Travel and Subsistence
  - Small Benefits

- PAYE Obligations
  - Employees
  - Self Employed
  - Visiting contractors
  - Mobile workers
  - Cross Border Assignments

Construction Workforce
Tax
Compliance Fundamentals

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Construction Workforce Tax Compliance Fundamentals

1) Irish employment tax obligations for construction employers

2) PAYE, USC and PRSI responsibilities

3) Common site issues

4) Documentation and record-keeping expectations

Irish employment tax obligations for construction employers

The three deduction employers must operate :

- **PAYE** - Income Tax deducted at source under Schedule E
- **USC** - Universal Social Charge, banded on gross income
- **PRSI** - Pay Related Social Insurance, employer and employee contributions

All three apply to construction site employees in the same way as any other employee

The complexity comes from correctly identifying who is an employee in the first place and applying RCT where a subcontractor relationship exists.

PAYE, USC and PRSI

- PAYE Stands for "Pay As You Earn"

- It is the system used to automatically deduct Income Tax, Pay-Related Social Insurance (PRSI), and the Universal Social Charge (USC) directly from an employee's wages or occupational pension each payday before they receive their net pay.

Income Tax: Charged at standard (20%) or higher (40%) rates based on your earnings and tax bands.

PRSI: Contributes to social insurance benefits and state pensions.

USC: A cumulative tax applied to gross income.

*RPN generated by Revenue automatically applies the relevant rates to an employee's monthly pay.

Tax rates and rate bands

Rates and bands for the years 2022 to 2026

Personal circumstances	2026 €	2025 €	2024 €	2023 €	2022 €
Single or widowed or surviving civil partner, without qualifying children	€44,000 @ 20%, balance @ 40%	€44,000 @ 20%, balance @ 40%	€42,000 @ 20%, balance @ 40%	€40,000 @ 20%, balance @ 40%	€36,800 @ 20%, balance @ 40%
Single or widowed or surviving civil partner, qualifying for Single Person Child Carer Credit	€48,000 @ 20%, balance @ 40%	€48,000 @ 20%, balance @ 40%	€46,000 @ 20%, balance @ 40%	€44,000 @ 20%, balance @ 40%	€40,800 @ 20%, balance @ 40%
Married or in a civil partnership (one spouse or civil partner with income)	€53,000 @ 20%, balance @ 40%	€53,000 @ 20%, balance @ 40%	€51,000 @ 20%, balance @ 40%	€49,000 @ 20%, balance @ 40%	€45,800 @ 20%, balance @ 40%
Married or in a civil partnership (both spouses or civil partners with income)	€53,000 @ 20% (with an increase of 35,000 max), balance @ 40%	€53,000 @ 20% (with an increase of 35,000 max), balance @ 40%	€51,000 @ 20% (with an increase of 33,000 max), balance @ 40%	€49,000 @ 20% (with an increase of €31,000 max), balance @ 40%	€45,800 @ 20% (with an increase of €27,800 max), balance @ 40%

Tax credits, allowances and reliefs

Credits, allowances and reliefs for the years 2022 to 2026

Personal circumstances	2026 €	2025 €	2024 €	2023 €	2022 €
Single Person	2,000	2,000	1,875	1,775	1,700
Married Person or Civil Partner	4,000	4,000	3,750	3,550	3,400
Widowed Person or Surviving Civil Partner with dependent child(ren)	2,000	2,000	1,875	1,775	1,700
Widowed Person or Surviving Civil Partner without dependent child(ren)	2,540	2,540	2,415	2,315	2,240
Widowed Person or Surviving Civil Partner – bereavement year	4,000	4,000	3,750	3,550	3,400
Widowed Parent 1st year after death	3,600	3,600	3,600	3,600	3,600
Widowed Parent 2nd year after death of spouse or civil partner	3,150	3,150	3,150	3,150	3,150
Widowed Parent 3rd year after death of spouse or civil partner	2,270	2,700	2,700	2,700	2,700
Widowed Parent 4th year after death of spouse or civil partner	2,250	2,250	2,250	2,250	2,250
Widowed Parent 5th year after death of spouse or civil partner	1,800	1,800	1,800	1,800	1,800

Single Person Child Carer Credit	1,900	1,900	1,750	1,650	1,650
Age Tax Credit if single, widowed or surviving civil partner	245	245	245	245	245
Age Tax Credit if married or in a civil partnership	490	490	490	490	490
Home Carer's Tax Credit (max.)	1,950	1,950	1,800	1,700	1,600
Employed Person taking care of an incapacitated individual (max.)	75,000	75,000	75,000	75,000	75,000
Employee PAYE Tax Credit	2,000	2,000	1,875	1,775	1,700
Earned Income Tax Credit (max.)	2,000	2,000	1,875	1,775	1,700
Incapacitated Child Tax Credit	3,800	3,800	3,500	3,300	3,300
Dependent Relative	305	305	245	245	245
Dependent Relative Income Limit	18,028	18,028	17,404	16,780	16,156
Blind Tax Credit - single person	1,950	1,950	1,650	1,650	1,650
Blind Tax Credit - one spouse or civil partner blind	1,950	1,950	1,650	1,650	1,650
Blind Tax Credit - both spouses or civil partners blind	3,900	3,900	3,300	3,300	3,300

Guide Dog - allowance	825	825	825	825	825
Rent Tax Credit - single person (max)	1,000	1,000	1,000	500	500
Rent Tax Credit - jointly assessed married couple or civil partners (max)	2,000	2,000	2,000	1,000	1,000
Mortgage Interest Tax Credit	1,250 (max)	1,250 (max)	1,250 (max)	0	0
Tax Rate: Schedule F (WH = Withholding Tax)	25% WH	25% WH	25% WH	25% WH	25% WH
Max. liability on deposit interest	33%	33%	33%	33%	33%

Pay Related Social Insurance (PRSI)
&
Universal Social Charge (USC)

PRSI

- Is a compulsory social insurance contribution paid by employers, employees, and self-employed people in Ireland.
- PRSI is paid by the employee and the employer (in the case of an employment).
- Payment/ rate is based on the amount of the employee’s pay.
- Each employee has a PRSI Class that determines the rate applicable to that individual.
- The Department of Social Protection (DSP) provides details of each PRSI class and contribution rate.

PRSI

- **Employer PRSI :**
  - 11.25% standard rate.
  - 9.0% where weekly income is under €495.

- **Employee PRSI (Class A1) :**
  - 4.2%.
  - Rising to 4.35% from October 2026.

PRSI - Records

Each time you pay an employee you must, as part of a payroll submission, keep a record of:

- your employee's gross pay for PRSI purposes
- your employee's PRSI share for each pay period
- your employer PRSI share for each pay period
- the PRSI class of each employee
- the number of weeks PRSI contributions paid for each employee

If any employee changes PRSI class during the year, you must also include in your records the:

- employee's new PRSI class
- number of weeks PRSI contributions that were paid for the employee at their new class.

Employer should ensure that the employee's PRSI details included on your payroll submission are correct. Your employee's entitlement to benefits from the DSP could be adversely impacted by errors included on the payroll submission.

USC - Current Rates

- an income tax levied on gross earnings over €13,000 per year.

2026 Rates and Bands:

- Up to €12,012: 0.5%
- €12,012.01 to €28,700: 2%
- €28,700.01 to €70,044: 3 %
- Above €70,044: 8% (higher rates apply to self-employed income over €100,000)

Irish Employers must calculate, deduct, and remit the Universal Social Charge (USC) from employees' gross pay via real-time payroll reporting.

Employers use the Revenue Payroll Notification (RPN) provided by Irish Revenue to apply correct USC rates, cut-off points, or exemption markers for each worker.

Real Time Reporting

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- **Since 1 January 2019**, employers are obliged to report their employees' pay and statutory deductions to Revenue, on or before the date they pay their staff. This is known as '**real-time reporting**'.

- **Real-time reporting** makes it easier for employers to deduct, and pay at the right time, the correct amounts of taxes.

- Provides **increased visibility and assurance for employees** as their payroll information is available to view, in real-time, in myAccount.

- Employers must use the most **up to date Revenue Payroll Notification** (RPN) to calculate the employee statutory deductions.

- Employers must **register as an employer** and deduct relevant taxes as appropriate under the PAYE system.

- Employers must report their payroll to Revenue **on or before** the date they pay their staff.

Enhanced Employer Reporting (EER)

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- New system on **1 January 2024**, which requires employers to report details of **certain benefits** and payments made to staff in real time, which means on or before they are given to employees.
- This new system of Enhanced Employer Reporting (EER) places a very **significant admin burden** on businesses, particularly SME's.
- ERR is required for all **Travel and Subsistence, Remote Working Daily Allowances of €3.20 per day** and items that meet the **Small Benefit Exemption**.
- This has resulted in increased scrutiny of these items in the course of **Revenue PAYE interventions**.
- If an employer omits to report any small benefit or payment made to an employee, they face a **€4,000 penalty** even where there may be no risk of an underpayment of tax.
- Because these payments have to be reported **in real-time,** the penalty could apply even where an omission is discovered by an employer and subsequently reported to Revenue at the earliest opportunity.

What is within scope of EER?

- Payments directly **incurred by an employer** are <u>not within the scope of EER </u>(i.e expenses incurred by an employer on behalf of an employee on a company credit card).

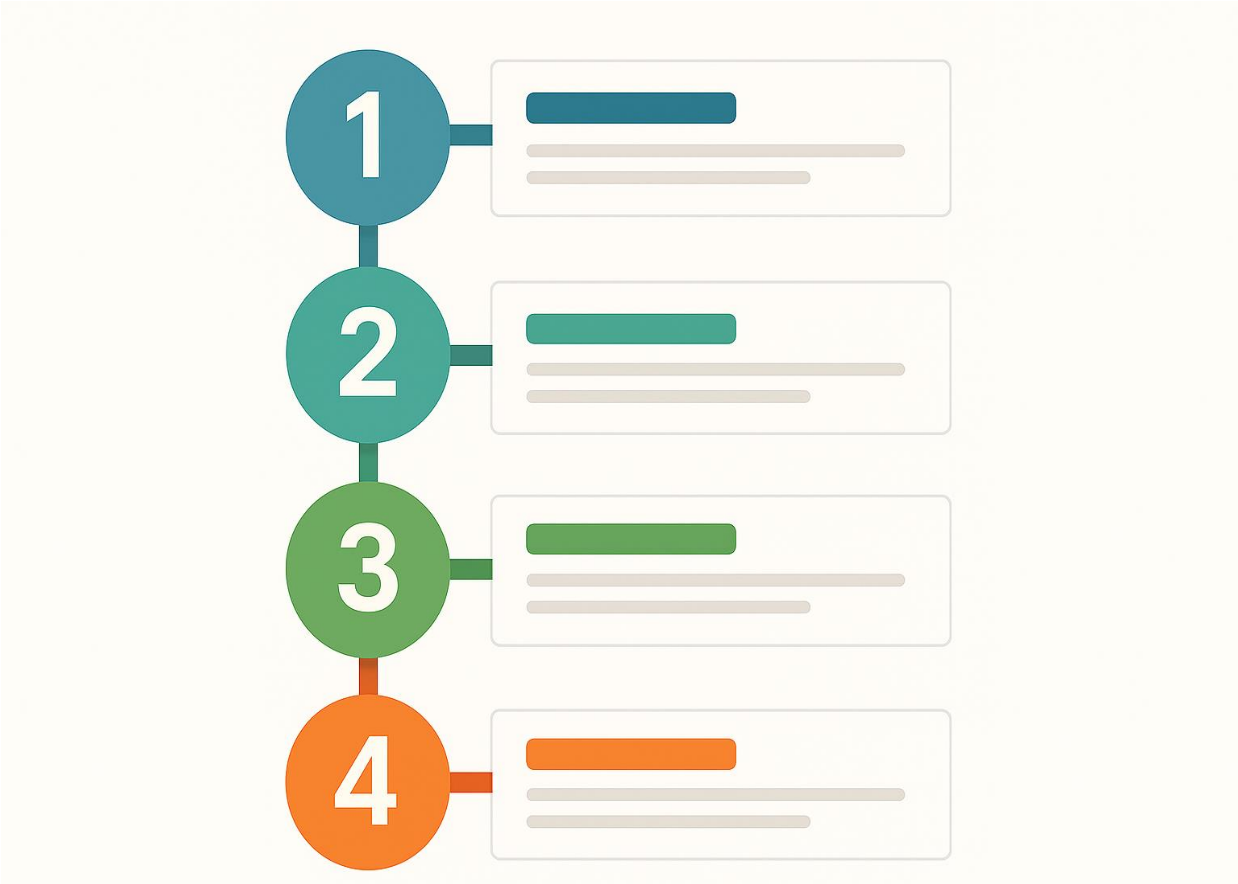
- Therefore, the expenses **have to be incurred by the employee directly (i.e the employee must have to be reimbursed for the expense incurred).**

- If an employee has multiple Travel & Subsistence claims in a month but these are all paid at once, they can be reported at one time and not individually.

- Enhanced Reporting Requirements is a **separate reporting requirement from payroll**.

- If these are being reported through payroll it will be necessary to ensure the facility enables the splitting of the Enhanced Reporting Requirements items from payroll.

Common Site and Payroll Tax Compliance Issues



Avoiding common reporting errors

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1. Misunderstanding PAYE modernization (Real Time Reporting)

Many Irish businesses still struggle to grasp the real time reporting requirements introduced by PAYE modernization in 2019.

This leads to **incorrect or late submissions** to Revenue, triggering fines and potential Revenue audits.

How to Avoid :

- Use Revenue approved payroll **software** that automatically handles real time submissions.
- Set up a strict **internal schedule to review** and submit data for every pay run, on or before pay day.
- **Double check figures** to avoid errors from the start – corrections can be complex and time consuming.

Avoiding common reporting errors

2. Incorrect Calculation of PRSI and USC

PRSI classes, USC thresholds and income bands change frequently.

Misclassifying employees (i.e director vs employee) or missing updated thresholds results in underpayment or overpayment, compromising your payroll compliance and attracting Revenue scrutiny.

How to Avoid :

- **Accurately classify each employee** under the correct PRSI category from day one.
- **Keep up with annual Budget** announcements that often adjust rates for PRSI and USC.
- Invest in an **automated payroll system** that auto updates rates to minimize manual errors.
- Frequent **training** for payroll staff and new staff.

Avoiding common reporting errors

3. Mishandling Benefits in Kind

Failure to calculate and report BIK correctly remains one of the most common payroll errors.

How to Avoid :

- **Identify** all BIK employees.
- Calculate their value using **Revenues specific formul**as and guidance.
- Include '**notional pay**' in payroll calculations so it's taxed correctly through PAYE.
- **Double check figures/ have controls in place** to avoid errors.

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Avoiding common reporting errors

4. Poor Record Keeping and GDPR Compliance

Payroll data must be kept for **six years** under Revenue rules.

Mishandling sensitive employee information can lead to GDPR breaches.

Poor systems can lead to compliance risk – both financial and reputational.

How to Avoid :

- Maintain a **secure, centralised digital system** for all pay slips, records and payroll data.
- Implementing **strict across** controls so only authorized personnel handle sensitive data.
- **Regularly audit your data storage** and retention policy to align with GDPR and Revenue requirements.

Avoiding common reporting errors

5. Assuming a payslip is just a formality

Employees are **legally entitled** to a detailed payslip, under the Payment of Wages Act 1991.

Omissions or inaccuracies can spark disputes or even claims to the Workplace Relations Commission.

How to Avoid :

- Every payslip must clearly show Gross Pay , all deductions itemised and Net Pay.

Transparency builds trust and reduces the risk of legal complications.

Avoiding common reporting errors

6. Inconsistent Travel and subsistence payments

Under Revenue's Enhanced Reporting Requirements (ERR), non-taxable expense payments must be reported in real time, making inconsistencies, patterns, and outliers easy to detect and flag for formal compliance interventions.

Managers handling claims differently across departments or allowing unvouched costs without set ceilings.

Failing to align internal rules with standard Civil Service rates or updated guidelines.

How to Avoid :

- Standardise policies – apply clear written rules across the entire company for what qualifies as a business expense or business travel.
- Use official Revenue rates for unvouched mileage and subsistence.
- Centralise sign off's.
- Train staff.

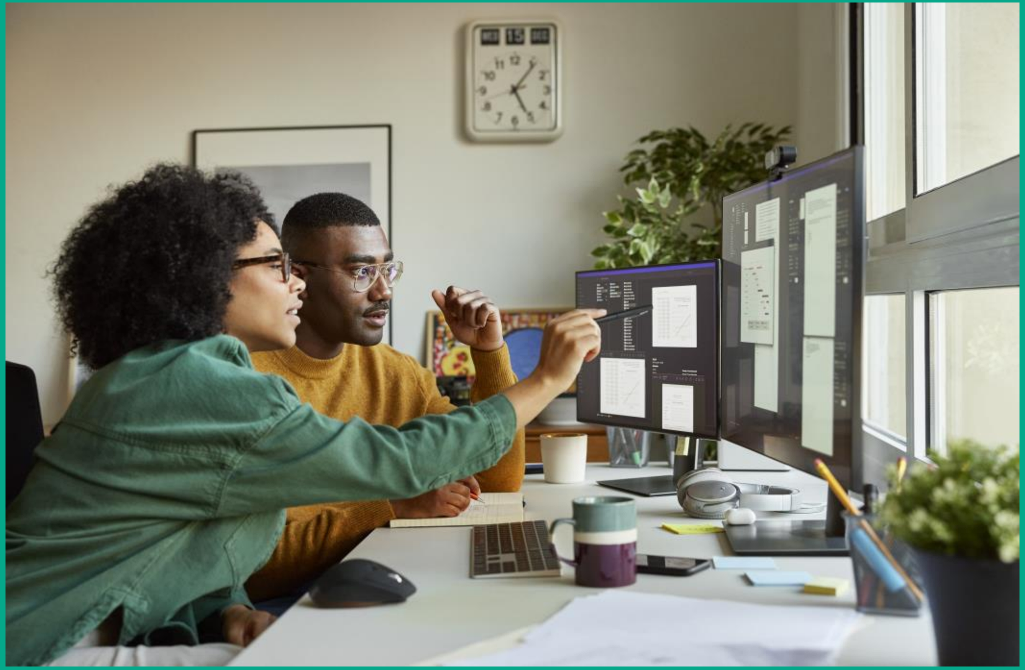
Documentation and Payslip Compliance

Employers must keep complete tax, financial, and payroll records for at least **six years** after the end of the tax year they refer to.

These records must support real-time PAYE submissions, track all business income and expenses, and reconcile cleanly with bank accounts and tax returns.

- **Gross pay and deductions:** Details of all employee wages, income tax (PAYE), PRSI, and Universal Social Charge (USC).
- **Real-time reporting:** Proof of real-time payroll submissions sent to Revenue every time employees are paid.
- **Payslips:** Copies of the detailed pay slips provided to staff for each pay period.
- **Expenses and benefits:** Records of all travel, subsistence reimbursements, and employee benefits.
- **Employment details:** Basic employee information, contracts, and start/finish dates.

Employees, Agency Workers and Subcontractors



Employees, Agency Workers and Subcontractors

- Determining employment status,
- Revenue indicators (five step framework) and practical examples,
- Managing agency labour arrangements,
- Key tax risks arising from worker misclassification,
- Implications for construction projects and contracts.

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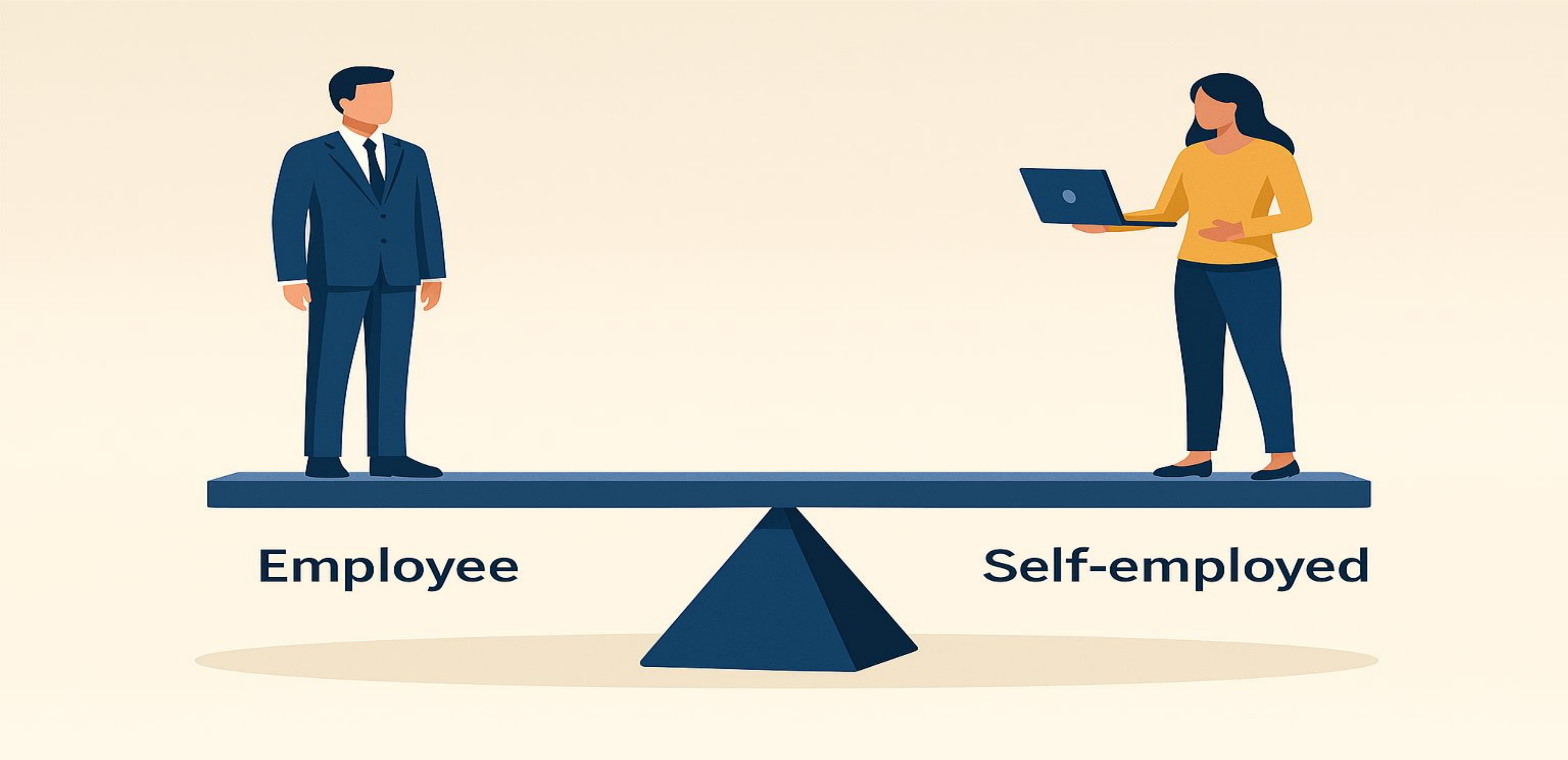
Employment Status for tax purposes



Employment Status for tax purposes

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There is no single clear definition of Employed Vs Self Employed

- Increasing area of focus with Revenue

- Code of Practice on Determining Employment Status (Revenue Guidance)

- The reality of the contract must be considered :

  * While a written contract might clearly state whether an individual is an employee or self-employed contractor, the full facts of the relationship between the parties must be taken into account in determining a worker's status.

- The Code was updated in 2024 to take account of the five-step framework to determining employment status set out in the Supreme Court case of The Revenue Commissioners v Karshan (Midlands) Ltd T/A Domino's Pizza.

Employed

Contract **OF** Service - Schedule E income

Self Employed

Contract **FOR** Service – Schedule D (Case I, II income)

Employment Status for tax purposes

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Why does the status of an employee or self-employed individual matter ?

1. The PRSI and USC payable to the Collector General (i.e. PAYE or self-assessment system)

2. Social welfare benefits

3. Other rights and entitlements (i.e. under employment legislation)
   - an employee has rights in respect of working time, holidays, maternity/paternal leave, protection from unfair dismissal, sick pay etc.

4. The deductibility of expenses incurred in the course of the individual's work.
   - There is more scope for a deduction for expenses incurred by a self-employed person. For this reason, many individuals try to classify their activities as contracts for services (self-employed) as opposed to employment contracts (employee).

5. Public liability insurance
   - Generally, an employee is covered by their employer's public liability insurance whereas a self-employed person is expected to hold their own insurance.

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The Five Question Framework

The court set out a five-question framework to guide any assessment of employment status, but this is not to be considered a legal test per se.

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Question 1 – Remuneration and contract type

“Does the contract involve the exchange of wage or other remuneration for work?”

The first question that must be asked is whether the relationship is one of labour in exchange for payment.

In furtherance of this question, the contract type must be identified and fall into one of the following categories:

- a contract for a regular wage for work with ongoing obligations to pay and work,
- a series of employment agreements governing the discharge of particular tasks,
- an agreement to complete one identified task,
- an ongoing agreement defined by an umbrella contract,
- any combination of the above, or
- is the agreement one for the exchange of labour for pay at all?

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Question 2 – Personal Services

“If so, is the agreement one pursuant to which the worker is agreeing to provide their own services, and not those of a third party, to the employer?”

If the contractual relationship for labour has been established, then the next factor to be considered is whether it is one in which the worker is agreeing to provide their own services, and not those of a third party.

The court found that personal service is a requirement and not merely a factor.

Although some degree of substitution is permissible, such as where the worker is unable to carry out work, it must be consistent with personal performance to be an employment relationship.

Any significant qualification placed on substitutes or discretion to refuse any proposed substitutes is more consistent with an employment relationship.

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Question 3 – Control

"If so, does the employer exercise sufficient control over the putative employee to render the agreement one that is capable of being an employment agreement?"

This question relates to the party deciding the who, what, where, when, how, as follows:

- who determines the way in which the work is to be done,
- what work is required to be done,
- where the work is to be done,
- when the work is to be done and
- how the work is to be done.

The question is whether the business imposes control over the worker such as working hours, location of work and methods of completing the work.

In most employment situations the employer has residual authority over how work is done. However, independent contractors usually retain autonomy in deciding the method, and this is often linked to completing the task in the most efficient manner, to the satisfaction of the other party, to maximise the return for the contractor.

Therefore, it is often difficult to look at control without looking at whether the contractor is carrying on business on their own account.

The first three questions are just preliminary questions.

If they are answered negatively there can be **no contract of employment**.

If they are answered positively then questions 4 and 5 below must be considered.

Question 4 – Working Arrangements

“If these three requirements are met the decision maker must then determine whether the terms of the contract between employer and worker interpreted in the light of the admissible factual matrix and having regard to the working arrangements between the parties as disclosed by the evidence, are consistent with a contract of employment, or with some other form of contract having regard, in particular, to whether the arrangements point to the putative employee working for themselves or for the putative employer.”

This question requires the evaluation of the actual dealings between the parties and the working arrangements in practice, rather than the label placed on them.

Important here is the contractor’s ability to make a profit from their own skills and the need for investment on the part of the contractor, particularly in terms of tools and equipment used to carry out the work.

Which party drafted the agreement and whether it was negotiated will be also important.

The tax affairs of the contractor are of relevance but only marginally.

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Question 5 – Legislation

"Finally, it should be determined whether there is anything in the particular legislative regime under consideration that requires the court to adjust or supplement any of the foregoing."

This question relates to the specific piece of legislation in which the employment status is being determined, for example, any difference in the definition of employee, employer and contract of services under the relevant piece of legislation.

Persuasive criteria as to whether an individual is:

AN EMPLOYEE

While all of the factors may not apply, an individual would normally be an employee if they:

- Are under the control of another person who directs as to how, when and where the work is carried out.
- Supply labour only.
- Receive a fixed hourly/weekly/monthly wage.
- Cannot subcontract the work.
- Do not supply materials for the job.
- Do not provide equipment other than the small tools of the trade.
- Are not exposed to financial risk in carrying out the work.
- Do not assume any responsibility for investment and management in the business.
- Do not have the opportunity to profit from sound management in the scheduling of engagements, pricing (i.e. jobs) or in the performance of tasks arising from those engagements.
- Work set hours or a given number of hours per week or month.
- Work for one person or for one business.
- Receive expense payments to cover subsistence and/or travel expenses.
- Are entitled to extra pay or time off for overtime.

Persuasive criteria as to whether an individual is:

SELF EMPLOYED

While all of the factors may not apply, an individual would normally be self-employed if they:

- Own their own business.
- Are exposed to financial risk.
- Assume responsibility for investment and management in the enterprise.
- Have the opportunity to profit from sound management in the scheduling and performance of engagements and tasks.
- Have control over what is done, how it is done, when and where it is done and whether they do it personally.
- Are free to hire other people, on their terms, to do the work which has been agreed to be undertaken.
- Can provide the same services to more than one person or business at the same time.
- Provide the materials for the job.
- Provide equipment and machinery necessary for the job, other than the small tools of the trade or equipment, which in the overall context would not be an indicator of a person in business on their own account.
- Have a fixed place of business where materials, equipment etc can be stored.
- Cost and agree a price for the job.
- Provides their own insurance cover e.g., public liability cover etc.
- Control the hours of work in fulfilling the job obligations.

Coffee Break

Managing Agency Labour

Agency workers, also known as *temporary agency workers* have an agreement with an agency to work for someone else.

For example, a secretary might work for an employment agency and temporarily do work for an office while one of their employees is on leave.

While agency workers do not have all the same employment rights as permanent workers they do have the right to equal treatment in basic working and employment conditions.

Managing Agency Labour

Who is not an agency worker?

The following workers are not considered agency workers:

- Independent contractors or business owners placed by an employment agency. In this case, the contractor is a client of the hirer.

- Some workers under a managed service contract (for example, cleaning contracts), where the contractor manages and delivers the service.

- Workers on the Work Placement Experience Programme, Community Employment, TÚS or any Department of Social Protection vocational training or re-training scheme.

Managing Agency Labour

From a tax perspective, managing agency labour agreements requires identifying who holds the legal obligation to operate payroll.

The entity that directly pays the worker, whether it is the employment agency or the end-user client, must operate the PAYE system, deducting income tax, Universal Social Charge (USC), and Pay Related Social Insurance (PRSI).

Payroll Tax Obligations (PAYE / PRSI)

Responsibility to Pay: The person or body making the actual payment of wages to the agency worker is treated as the employer for tax and social insurance deduction purposes.

Compliance Checks: Both agencies and client businesses must ensure real-time reporting requirements are fulfilled accurately for every pay cycle.

Misclassification Risk: Misclassifying a worker as a self-employed independent contractor rather than an agency employee exposes the liable party to retroactive tax arrears, interest, and penalties from tax authorities.

Managing Agency Labour

Where there is doubt or disagreement as to the status of an agency worker, it will be necessary to consider the circumstances of each case separately.

The Code of Practice for Determining Employment or Self-Employment Status which sets out the legal tests/factors used to determine employment status is published on the Revenue website.

The written terms of the employment contract will need to be considered including any oral, implied or inferred terms (the written terms may not necessarily describe the full relationship between the parties) and any other relevant information deemed necessary to assist in forming an opinion as to the status of the agency worker.

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Key tax risks arising from worker misclassification

- Worker misclassification triggers severe tax liabilities, including backdated PAYE, PRSI, and Universal Social Charge (USC).
- Companies face interest, statutory financial penalties, and aggressive "re-grossing" rules where unpaid income tax is magnified if left undisclosed.
- Wage Claims: Workers can sue for minimum wage gaps, overtime pay, and holiday pay.
- Misclassifying an employee doesn’t just create tax exposure, it opens the door to employment claims that can carry significant financial and reputational consequences.
- **Review is critical !!!!!!** Given the changing landscape, longstanding arrangements warrant fresh scrutiny to reduce the risk of audits and claims.

Subsistence Payments to Contractors

Travel and Subsistence – Contractors

- An employer can pay their employees' expenses when they travel on business journeys
- They can also pay subsistence if employees are working away from their normal place of work
- Employers can repay their employees when they use their private cars, motorcycles or bicycles for business purposes.

Normal place of work

- The normal place of work is where an employee works on a day to day basis. This may not always be the employer's base.
- The business may have additional bases elsewhere. In this case, the normal place of work may not be the same for all employees.

Travel and Subsistence – Contractors

Business journeys

Business travel is when an employee travels from one place of work to another place of work as part of their duties. This includes:

- travel between Ireland and other countries
- travel to a place that is not their normal place of work.

For business travel, the distance in kilometres is calculated by the lower of either:

- the distance between the employee's home and the temporary place of work
- the distance between the employee's normal place of work and the temporary place of work.

Travel to and from work is the employee's own private travel. It is not a business journey.

Travel and Subsistence – Contractors

Reimbursement rates - Use of private vehicles

An employer can repay employees for expenses incurred when they use their private cars, motorcycles or bicycles for business purposes.

The employee must be necessarily obliged to incur the expense to carry out their duties.

This payment can be made, tax free, and is based on the amount of business kilometres travelled. The employer can either:

i. use the current schedule of Civil Service rates
ii. use other rates not higher than Civil Service rates
iii. repay the actual cost of the travel to their employee.

If the employer repays the actual costs of travel to the employee, the repayment should be based on vouched receipts.

An employee may make a claim to Revenue for any travel expenses that were not covered by the employer.

Travel and Subsistence – Contractors

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Reimbursement rates - Subsistence expenses

- The employer may repay an employee's expenses for their subsistence costs while they are temporarily away from their normal place of work.

- It is a condition that the subsistence must attach to travelling necessarily incurred when carrying out the duties of the employment.

- For absences within the State, this payment can be made, tax free, by either:
  - i. using the current schedule of Civil Service subsistence rates
  - ii. using other rates not higher than Civil Service rates
  - iii. repaying the actual cost of the travel to your employee.

- If the employer repays the actual costs of subsistence to the employee, the repayment should be based on vouched receipts.

- If the employer pays subsistence expenses at rates higher than Civil Service rates, these must be approved by Revenue in advance.

Travel and Subsistence – Contractors

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Civil service motoring and bicycle rates

Cars (rate per kilometre)

Motor travel rates (from 1 September 2022)

Distance band	Engine capacity up to 1200cc	Engine capacity 1201cc - 1500cc	Engine capacity 1501cc and over
Up to 1,500 km (Band 1)	41.80 cent	43.40 cent	51.82 cent
1,501 - 5,500 km (Band 2)	72.64 cent	79.18 cent	90.63 cent
5,501 - 25,000 km (Band 3)	31.78 cent	31.79 cent	39.22 cent
25,001 km and over (Band 4)	20.56 cent	23.85 cent	25.87 cent

Travel and Subsistence – Contractors

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Civil service motoring and bicycle rates

Cars (rate per kilometre)

Reduced motor travel rates per kilometre

Engine capacity up to 1200cc	Engine capacity 1201cc to 1500cc	Engine capacity 1501cc and over
21.23 cent	23.80 cent	25.96 cent

Reduced mileage rates apply for journeys associated with an official's job, but not solely related to the performance of those duties. Examples include necessary travel in relation to:

- attendance at confirmed promotion competitions
- attendance at approved courses of education or conferences.

Travel and Subsistence – Contractors

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Civil service motoring and bicycle rates

Motorbikes and Bikes (rate per kilometre)

Motorcycles (rate per kilometre)

Motorcycle rates (from 5 March 2009)

Distance	Engine capacity up to 150cc	Engine capacity 151cc - 250 cc	Engine capacity 251 cc - 600 cc	Engine capacity 601cc and over
Up to 6,437 km	14.48 cent	20.10 cent	23.72 cent	28.59 cent
6,438 km and over	9.37 cent	13.31 cent	15.29 cent	17.60 cent

Bicycles

Bicycle rates (from 1 February 2007)

Rate per km	8 cent

Travel and Subsistence – Contractors

Overnight Allowances – within the State

Domestic overnight subsistence rates (from 29 January 2025)

Rate category	Rate
Normal rate	€205.53
Reduced rate	€184.98
Detention rate	€102.76

Overnight allowance covers an overnight assignment of up to 24 hours, plus any period up to five hours. This must be at least 100 km from the employee's home and their normal place of work.

The rate category depends on the period of an assignment:

- the normal rate is for up to 14 nights
- the reduced rate covers the next 14 nights
- the detention rate covers each of the next 28 nights.

Travel and Subsistence – Contractors

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Day Allowances – within the State

Day allowances

Domestic day subsistence rates (from 29 January 2025)

Period of assignment	Rate
Ten hours or more	€46.17
Between five and ten hours	€19.25

The assignment must be outside eight kilometres of the employee's home and normal place of work.

In the case of an absence of over 29 hours, the employee can claim a day and overnight allowance.

Travel and Subsistence – Contractors

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Assignments – OUTSIDE the State

Short term assignment

Subsistence rates for short term assignments (up to six months)

Period of assignment abroad	% of normal overnight rate
First month	100%
Second and third month	75%
Fourth, fifth and sixth month	50%

These rates can be used for a single temporary assignment of up to six months where the employee is working abroad.

Travel and Subsistence – Contractors

Assignments – OUTSIDE the State

Long term assignment

A long term assignment will be more than six months.

For the first month of the assignment, the employer can allow subsistence for the overnight rate. This is to facilitate the employee to find self-catering accommodation.

For the remainder of the assignment, the employer can allow subsistence costs to cover the cost of reasonable accommodation. The employer can allow 50% of the day rate (ten-hour) for the location.

Travel and Subsistence – Contractors

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Site Based Employees

Site-based employees

Site-based employees do not have a fixed base and perform their work duties at different locations. These duties generally last for periods longer than one day.

An employer can pay an employee tax free expenses of travel and subsistence, (known as 'country money' in the construction industry), not exceeding the approved rate. In order to qualify for these expenses, the employee must be:

- working at a site 32 km (20 miles) or more from the employer base

  or

- working 32 km or more from the General Post Office (GPO), if the employee is Dublin based.

Travel and Subsistence – Contractors

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Site Based Employees

Approved country money rates:

- €36.34 per day for four days or less.

  or

- €181.68 per week for more than four days.

Exclusions

An employer cannot pay an employee tax-free expenses of travel and subsistence if:

- the employee does not have to pay to travel to and from the site (for example, if the employer provides the transport)
- the employer provides the employee with board and lodgings

  or

- the employee was recruited to work at one site only.

Employers must retain records relating to the payment of country money for six years.

Travel and Subsistence – Contractors

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Site Based Employees

Eating on site

An employer may pay an 'eating on site' allowance, tax free, to site-based employees in some sectors of the economy if:

- the employer does not provide facilities for making tea, coffee, or other refreshments
- the employee does not receive any other form of tax-free subsistence payment
- the employee works on the site for at least 1.5 hours before and 1.5 hours after their normal lunch break

  and

- the employer pays a maximum allowance of €5 per day.

Benefit In Kind (BIK) Considerations

Understanding Benefit In Kind ("BIK")

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A "Benefit In Kind" is defined by the Revenue Commissioners as :

"any non-cash benefit of monetary value that an employer provides to its employee".

These are benefits that cannot be converted into cash **but** have a **cash value**.

They are usually something that an employee **has the use of** but **does not own**.

Examples :
Company car, Company van, Employer provided accommodation, Goods paid for by employer on behalf of an employee, Preferential loan interest rates.

Understanding Benefit In Kind ("BIK")

Benefit In Kind Vs Perk

The difference between a BIK and a Perquisite ('perk') is the **method of calculating the taxable value** for the purpose of determining the employee's tax liability.

'BIK'

- *Something an employee has use of without having **ownership** of.*
- *The benefit is **not** capable of being turned into money.*

'Perk'

- *The **ownership** of the item does not sit with the employer.*
- *Something that **is money** or can be turned into money easily.*

Understanding Benefit In Kind ("BIK")

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Examples;

(i) An employee leases an apartment / or a car and the monthly lease is paid for by the employer.

This is a Perk as the employee is liable to the lease.

(ii) An employer owns an apartment / or car and allows the employee to live/use the asset for private use and for free.

This is a BIK as the employer owns the apartment.

A 'Perk' is

- valued at the **market value on the date** which it is given to the employee.
- liable to Income Tax, PRSI and USC on the **expense amount** incurred by the employer
- Reduced by any amount made good by the employee.

Understanding Benefit In Kind ("BIK")

- Benefits and Perks possess value (i.e considered taxable income for the employee)
- Employers are obligated to withhold relevant taxes through the PAYE system.
- Crucial that employers and employees understand the tax liabilities and implications associated with offering such benefits.
- Neglecting BIK can lead to tax consequences for both the employer and employee.

Understanding Benefit In Kind ("BIK")

Benefit in Kind

- If an individual earns **less than €1,905** in a tax year, benefits are not taxable (**does not apply to company directors)*.
- Special BIK rules apply to :

Company Car, Company Van, Preferential Loans, Living Accommodation, Medical Insurance

- Some Employer Provided Benefits are not taxable :

Travel Pass, Cycle to Work Scheme, Share Schemes, Canteen Facilities, Some Accommodation,

Approved Pension Schemes, Work provided Computers and Phones, Small Benefit Exemption.

Taxation of BIK – How BIK is valued for tax purposes

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- Director/Employees of a company must pay PAYE, PRSI & USC on their income, including on their BIK.
- The taxable value of the non-cash benefit is also referred to as the "**notional pay**" amount.
- The "notional pay" amount is also subject to **employers' PRSI**.
- Employer is responsible for deducting the relevant taxes at the **appropriate rates**.
- What is the BIK value ???

Company Cars

Company Cars

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- Where a car is provided by an employer to an employee and it is available for their **private use – BIK !**

- Deemed to be available for 'private use' unless :

  (i) terms on which it is made available prohibit private use, and

  (ii) no such use is made of the vehicle in the tax year.

- Travel to and from work is generally regarded as private use.

- BIK applies to the provision of a **vehicle** and **the associated costs of running the vehicle** paid for on behalf of the employee. The employer bears all the running costs, including motor tax, insurance, servicing, and fuel, and these costs are factored into the overall BIK calculation framework, rather than being taxed separately as an additional benefit.

Company Cars

- A **Car** is ;

  "any mechanically propelled road vehicle designed, constructed or adapted for the carriage of the driver, or the driver and one or more persons."

- Subsequent adaptation of a vehicle does **not alter** the fact that the vehicle was **originally designed** and **constructed for the carriage of one or more persons**.

- As such, the vehicle would remain a car for tax purposes.

Company Cars

- From **1 January 2023**, the employee will be liable to BIK on the '**Cash Equivalent**' of the private use of the vehicle.

- This is calculated by reference to ;

  (1) a percentage of the **Original Market Value ('OMV')** of the car,

  reduced by

  (2) The cars CO_2 **emissions** band and the annual **business mileage** travelled

- The **OMV** of a vehicle is ;

  - the price the vehicle may reasonably fetch if sold in the State

  - this will include any relevant VRT or other Irish taxes.

Company Cars

- **Temporary Reduction to Original Market Value** (Finance Act 2023 – 2025)

Year of assessment	All cars in categories A, B, C and D	All cars in category E	All vans (including electric vans)	Electric vehicles
2023	€10,000	0	€10,000	€45,000*
2024	€10,000	0	€10,000	€45,000*
2025	€10,000	0	€10,000	€45,000*

Company Cars

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- **Temporary Reduction to Original Market Value - This has been extended in Budget 2026 for both Cars and Vans :**

Year of Assessment	**All Cars category A,B,C,D**	**All Vans (Including Electric)**
2026	€10,000	€10,000
2027	€5,000	€5,000
2028	€2,500	€2,500

Company Cars

- **Budget 2026 introduced new A1 Category**
- **Cash Equivalent' :** ***OMV x (CO2 Category Vs Business Mileage)***

Vehicle Category	CO_2 Emissions (CO_2 g/km)
A1	0g/km
A	0g/km up to and including 59g/km
B	More than 59g/km up to and including 99g/km
C	More than 99g/km up to and including 139g/km
D	More than 139g/km up to and including 179g/km
E	More than 179g/km

Company Cars

- **Method for calculation of BIK 'Cash Equivalent' :** ***OMV x (CO2 Category Vs Business Mileage)***

Lower Limit	Upper Limit	A1	A	B	C	D
Kilometres	Kilometres	%	%	%	%	%
-	26,000	15	22.5	26.25	30	33.75
26,001	39,000	12	18	21	24	27
39,001	48,000	9	13.5	15.75	18	20.25
48,001	-	6	9	10.5	12	13.5

- ***Categories A-D ->*** *Original Market Value - €10,000 x (% based on emissions vs business mileage)*

- ***Category E emissions cars ->*** *Original Market Value x (% based on emissions vs business mileage)*

Company Cars

Example 1 :

Tony has been provided with the use of a company car by his employer, TPP Ltd, for the full year on 1 January 2024. The OMV of the car is €28,000. All running costs are met by his employer. Per the manufacturer, the car produces 120g/km in CO_2 emissions. Business kilometres for 2024 are estimated at 32,000 kilometres.

- 120g/km CO_2 emissions puts the car in vehicle Category C.
- As Tony drives 32,000 kilometres in the year, the cash equivalent is equal to ;

  OMV €28,000 x 24% (mileage between 26,001 and 39,000)
- Temporary reduction to OMV will apply.

2024 BIK Calculation:

Cash Equivalent (€28,000 – €10,000) x 24% = €18,000 x 24% = €4,320
Amount subject to BIK €4,320 (*nominal value)

**if the car was category E, the €10,000 temporary reduction would not be applicable.*

Company Cars

Example 2 :

Fleur has the use of a car provided by her employer in 2024. The OMV of the car was €28,000. The estimated business kilometres in the year are 31,630 kilometres. Fleur made good to her employer €1,000 in respect of the cost of the car. The car produces 140g/km in CO_2 emissions.

- 140g/km in CO_2 emissions puts the car in vehicle category D.
- As Fleur drives 31,630 kilometres in the year, the cash equivalent is equal to;

  OMV of €28,000 x 27% (mileage between 26,001 km and 39,000 km).
- Taking account of the temporary reduction to OMV, the OMV may be reduced by €10,000.
- The cash equivalent of the use of the car is then reduced by the €1,000 made good by Fleur.

BIK calculation for 2024:

Cash Equivalent (€28,000 – €10,000) x 27% = €18,000 x 27% = €4,860

Less amount made good by Fleur (€1,000)

Amount subject to BIK €3,860 **(*nominal value)**

Company Cars

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<u>Vehicle available for less than a year :</u>

- The 'Cash Equivalent' is reduced proportionately: A x B/ C

A = Actual business kilometers
C = Full Year (In days)
*B= Part of Year (in **days)** for which the car is available*

<u>Overseas duties</u>

- A vehicle provided to a director/employee **will not be regarded as available for private use** for the part of the year in which the individual is outside the state for the purpose of performing duties of employment, provided **ALL** of the following conditions are met :

(1) The aggregate number of days spent outside the State **for the purpose of performing the duties** of the office or employment is **at least 30 complete days** in the tax year (any holiday period abroad is excluded),

(2) The individual travels abroad **without** the vehicle, **and**

(3) The vehicle is **not available for use by the individual's family or household** during the director or employee's period of absence from the State.

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Electric Cars

An 'electric vehicle' is one that derives its motive power **exclusively from an electric motor**.

Hybrid vehicles are not electric vehicles.

The tax treatment applicable to employer provided electric vehicles varies depending on ;

(1) the **Date** the vehicle was first provided to the employee,

(2) the P**eriod** for which the vehicle is made available to the employee **for private use,** and

(3) the **OMV** of the vehicle.

As SEAI grants are paid after the registration of the vehicle, the OMV is <u>not</u> reduced by the value of the SEAI grant.

Company Cars

For an electric vehicle made available for an employee's private use during the years **2023 to 2027**, the Cash Equivalent will be calculated based on the actual OMV of the vehicle reduced by:

- **€35,000** in respect of vehicles made available in the **2023, 2024 and 2025** year(s) of assessment;
- **€20,000** in respect of vehicles made available in the **2026** year of assessment; and
- **€10,000** in respect of vehicles made available in the **2027** year of assessment.

Temporary Reduction of €10,000 is also available for 2023 – 2028.
If the reduction reduces the OMV to nil, a BIK charge will not arise.

Any portion of OMV remaining, after the reduction is applied, is chargeable to BIK at the prescribed rates.

Year of Assessment	Relief on Electric Vehicle	Temporary Reduction to OMV	Total Reduction
2023	€35,000	€10,000	€45,000
2024	€35,000	€10,000	€45,000
2025	€35,000	€10,000	€45,000
2026	€20,000	-	€20,000
2027	€10,000	-	€10,000

Company Cars

Electric Charging Facilities :

Exempt from BIK where;

(a) The electric charging facilities are provided **on the employer's business premises**.

(b) The facility must be available to **all** employees and directors.

Home Charging Facilities :

Exempt from BIK where;

1. Employee must have **private use of an employer provided electric vehicle** which is liable to BIK,
2. Must be **installed in a qualifying residence** in the state,
3. The **employer must retain ownership** of the charging facility,
4. **Only one** charging facility can be provided to an employee.

****all*** of the above must be met for a BIK exemption to apply.

Home Charging Facilities – Bills for the charging of the vehicle :

Where an employer is providing a vehicle to his or her employee and the employee is incurring home **electricity costs**, provided it can be shown that the employer is **only** reimbursing for the running costs of that employer provided vehicle, it would be reasonable for this reimbursement to be **paid free of tax**.

Sufficient documentation must be retained by the employee to verify amounts.

Company Vans

Company Vans

A ‘**Van**’ is a mechanically propelled vehicle which :

- is designed or constructed solely or mainly for the carriage of goods or other burden,
- has a roofed area or areas to the rear of the driver’s seat,
- has no side windows or seating fitted in that roofed area or areas, <u>and</u>
- has a gross vehicle weight not exceeding 3,500 kilograms.

- Where a crew cab or other similar type of vehicle meet **all** of the above conditions, it is regarded as a van rather than a car.
- If a van is **adapted** in such a way that it no longer meets the criteria (such as if rear seats are fitted), the vehicle no longer satisfies the criteria to be regarded as a Van for BIK purposes.
- Therefore, the vehicle should be treated as a Car, and the BIK should be calculated accordingly.

Company Vans

Example :

Cian works for a marketing company. His employer provided him with a car which he was required to use during his working day and was also entitled to use it for private use. Cian's employer decided to modify the car so that marketing materials could be transported more effectively. His employer removed the back seats from the car for storage and tinted the rear windows black for security purposes.

In this instance the vehicle will remain a 'car' for the purposes of BIK for the following reasons:

(1) the vehicle was originally designed and constructed for the carriage of one or more persons, and

(2) the definition of 'van' for tax purposes requires that the vehicle must be designed or constructed solely or mainly for the carriage of goods or other burden and therefore does not include cars which are adapted into vans.

Company Vans

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From **1 January 2023**, the percentage used in the calculation of the **cash equivalent** of the use of a van increased **from 5% to 8%** of the OMV. (Applies regardless of the business mileage).

Limited Private Use of a Van

BIK will **not** arise in respect of the private use of a van provided to an employee where **all** of the following conditions are met:

(1) The van is supplied for the purposes of the **employee's work;**

(2) The employee is **required by their employer** to **bring the van home after work;**

(3) Apart from travel between the employee's home and their workplace, **other private use of the van by the employee is forbidden by the employer**, and there is in fact no other private use; **and**

(4) In the course of work, **the employee spends at least 80% of their time away from the premises** of the employer.

Company Vans

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Example :

John is a maintenance technician working for a facilities management company. The company provides him with a van which he is required to take home each day due to early morning call outs. John spends over 80% of his working time away from his employer's premises. The company's policy prohibits private use of the van apart from travel between home and work, and John adheres to this policy.

In this case, no BIK arises as all the conditions for the limited private use of a van exemption are met.

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Pooled Vehicles – Cars and Vans

A vehicle included in a car / van pool is treated as not available for the private use if, in the tax year, **all** of the following conditions are met:

(1) The vehicle is **available** to, and **actually used** by, **more than one** of the employees concerned,

(2) For **each employee**, the vehicle is made available to them by **reason of their employment**,

(3) The vehicle is **not ordinarily used by any one employee to the exclusion of the others**,

(4) For each employee concerned, any **private use** of the vehicle by him or her is **merely incidental** to his or her business use, and

(5) The vehicle is **not normally kept overnight** in any of the employees' homes.

Weight Exemption

No BIK will arise in respect of the private use of a **commercial vehicle** with a gross vehicle weight (i.e., gross laden weight) in excess of 3,500kg.

Chauffeur Driven Cars

In the case of chauffeur driven cars two separate charges arise:

(1) BIK in respect of the **provision** of the **car, and**

(2) BIK in respect of the expenses incurred by the employer for the **provision** of the **chauffeur.**

The total expense incurred by the employer in providing the chauffeur (e.g, chauffeur's salary) is chargeable as BIK, less any amount made good by the employee.

Fuel Cards

Business Use Only :

Where provided for business use only, **no BIK** will arise.

Business and Private Use :

Where provided for private use, the element private usage is **liable to relevant taxes**.

*Records of mileage and fuel expenses should be kept up to date.

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Records to be Kept – Employer provided cars and vans

- Employers must put in place **a robust business process** whereby business mileage covered by employees is **recorded** and can be **verified**.

- Employers and employees are **required to keep a logbook**. The logbook must be **certified** by the employer as being **true and accurate**, to the best of his or her knowledge and belief.

- In the case of **vans**, Revenue will accept a **Tachometer/Tripmeter reading**, taken each Friday evening and again on Monday morning, to show that no private mileage was undertaken over the weekend.

- In a case where a person fails to give particulars of business / private mileage for the year, or the particulars delivered are not satisfactory, the **business kilometres may**, in the absence of sufficient evidence to the contrary, be determined by deducting 8,000 kms from the total number of kilometres travelled in the year.

Caution – the '8K RULE'

This deals with a scenario where there are no records produced or where the records are not satisfactory.

Revenue emphasize that the use of 8,000km for private mileage is intended for **exceptional circumstances** only and it should not be as a benchmark by an employer to have a more favourable BIK charge.

The onus is on the employers to ensure that sufficient records are kept.

Revenue are entitled to reject the employer's calculation and recalculate the taxable value of the BIK if they deem necessary.

Caution – THE "LESSER THAN RULE"

Another important consideration is defining what is allowable as a **business journey.**

According to Revenue:

"Where an employee, in the performance of the duties, begins a business journey directly from home or returns directly to home, then the expenses of travel and subsistence that may be reimbursed without deduction of tax are the lesser of those incurred on the journey between:*

(i) Home to the temporary work location;

or

(ii) The normal place of work (the office/employers base) and the temporary location".

Provision of Accommodation

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Provision of free of subsidised accommodation

- BIK will arise where accommodation is made available to an employee, **by his/her employer**, for their **private use**.

- The employee will be liable to tax on;

  (a) the **annual value** or **market rent** of the property,

  plus

  (b) any **related expenses paid by the employer** (such as light or heat).

- The specific manner in which the charge to tax is calculated **depends on whether** the property is **owned** or **rented** by the employer.

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Provision of free of subsidised accommodation

(i) Employer-Owned Accommodation

The value of the BIK to the employee is the aggregate of:

i) the **annual value** of the use of the accommodation (i.e market value rent), **and**

ii) **any expense incurred** by the employer in connection with the provision of the accommodation, such as the cost of light and heat.

The annual value of employer owned accommodation should be **reviewed annually** for as long as the property is available to that employee.

Provision of free of subsidised accommodation

Example 1:

An employer provides an employee with the use of a two-bedroom apartment ***owned by the employer****, rent free. According to the CSO website, similar type two-bedroom apartments in the area are currently let for* ***€2,500 per month****.*

Notional pay of €30,000 (i.e. €2,500 per month) must be added to the employee's salary for the purposes of calculating Income Tax, PRSI and USC.

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Provision of free of subsidised accommodation

Example 2 :

*An employer provides two employees with a house, **owned by the employer**, at a total **subsidised rent** of **€1,000** per month. A letting agent estimate indicates that **the annual value of rent** for the house is **€32,000**.*

The total taxable BIK is €20,000 (i.e. €32,000 – (€1,000 x 12).

This must be split between the two employees and therefore the taxable BIK for each individual is €10,000 (i.e. €20,000 ÷2).

Notional pay of €10,000 must therefore be added to each of the employees' salary for the purposes of calculating Income Tax, PRSI and USC .

Provision of free of subsidised accommodation

Exemption – Employee Required to Live on Premises

A taxable BIK will **not** arise where an employee – Meets the '**better performance test**'

This is where the employee is required, by the terms of his or her employment, to live in accommodation provided by the employer in part of the employer's business premises, so that the employee can properly perform his or her duties.

This exemption does not apply to company directors.

Some examples include:

(a) The employee is required to be on call outside normal working hours

(b) The employee is in fact frequently called out

(c) The accommodation is provided so that the employee can have quick access to the place of employment.

Provision of free of subsidised accommodation

(ii) Accommodation Rented by Employer

Where accommodation is **rented**, as market rent, by an employer for an employee this is regarded as a '**perquisite**' (as opposed to a BIK where the employer **owns** the premises).

The value of the perquisite provided for the calculation of PAYE, PRSI and USC purposes is:

(a) the **actual** amount of **rent paid**

less

(b) **any amount** which the employee **makes good** to the employer in respect of the accommodation.

Provision of free of subsidised accommodation

Employer-Provided Furniture

Where furniture, which **remains in the employer's ownership**, is provided for an employee's use, a BIK arises on the **annual value** of the use of the furniture.

The annual value of the use of the furniture **is 5% of the market value** of the asset when it was **first provided** by the employer to **any** employee.

This is the amount that must be taken into account as notional pay for the purposes of calculating Income Tax, PRSI and USC

Provision of free of subsidised accommodation

Example 1 :

On 1 January, an employer provides an employee with ***a fully furnished employer owned property.*** *The annual value of the property is* ***€24,000****. The furniture was previously used by another employee. It was originally valued at €10,000 when used by the other employee but is now valued at €5,000.*

The total taxable BIK is:

- Annual value of Property: €24,000
- Furniture: €10,000 x 5% €500
- **Total amount subject to BIK: €24,500**

The annual value of the use of the furniture is 5% of the market value of the asset when it was first provided by the employer, regardless of its current value.

Notional pay of €24,500 must be added to the employee's salary and taxed accordingly.

Provision of free of subsidised accommodation

Provision of Accommodation Plus Meals at a Temporary Work Location

In some instances, as an alternative to paying subsistence, employers may choose to **provide accommodation and meals at a temporary location** where their employees are working.

Where this occurs, Revenue is prepared to accept that a **taxable benefit** **will not arise** in the hands of the employee where **all** of the following conditions are satisfied:

(i) the accommodation provided is **not the principal private residence of the employee**
and
(ii) if the **accommodation is rented** by the employer, the rent paid represents the **reasonable cost** of accommodation for the location;
and
(iii) the reimbursement as regards **meals** represents no more than a **reasonable reimbursement** of the actual cost.

Medical Insurance

Private Medical Insurance

- An employer might pay medical insurance premiums on behalf of an employee - This is a **taxable benefit**

- If an individual **pays their own medical insurance**, the TRS (Tax Relief at Source) discount will be applied to the cost of the premium. (i.e individual cannot claim back any further TRS).

- Where an **employer pays** medical insurance premiums on behalf of an employee, the employer pays a reduced premium to the authorised insurer (i.e the insurer applies TRS to the gross amount).

- The employer will need to return, to Revenue, the value of the TRS (in corporation tax return).

- The value of the benefit to the employee, is the **gross value** of the insurance premium.

- An employer must add **this gross value**, as notional pay, to your employee's pay to deduct the relevant taxes (Income Tax, PRSI and USC).

Private Medical Insurance

<u>Example 1 :</u>

Kevin renews his medical insurance policy on 1 January 2023. The notice issued by the insurance provider shows both the gross and net premium due:

- **Gross premium: €2,500**
- **Amount on which TRS is calculated: €1,000 (i.e. maximum for an adult)**
- **TRS: €200 (€1,000 x 20%)**
- **Reduced (net) premium payable to authorised insurer is €2,300 (i.e. €2,500 - €200).**

A claim to Revenue is not required by Kevin as

(i) he has paid his medical insurance himself and
(ii) he has received tax relief directly via the TRS system.

Private Medical Insurance

<u>Example 2:</u>

Brian's employer renews his policy on 1 January 2023. The gross value of the policy is €2,500 and the net of tax relief amount is €2,300. Brian is charged to income tax, USC and PRSI under the PAYE system on the gross premium of €2,500.

Brian has not benefited from the TRS arising on the premium paid by his employer.

He is entitled to tax relief of €200 (€1,000 x 20%).

The TRS be claimed from Revenue by Brian (i.e. by filing an Income Tax Return).

Meal Allowances

(I) Canteen Meals :

- An employer may provide free or subsidized meals in staff canteens for **all** employees.
- Meals must be **provided in the staff canteen**.
- This does **not include external** third party restaurants (etc).

* The **taxable value if not exempt** will be the costs of the canteen, divided by the number of staff who can use the facility.

Meal Allowances

(II) Meal Vouchers :

- Meal vouchers provided to staff **are taxable.**
- The value of the benefit face value, less 19 cents.

(III) Client entertainment :

- Where an employee has to engage in client entertainment meals as **part of their duties,** these meals are not deemed BIK.

(IV) Seasonal Parties :

- The cost of **seasonal parties** are not a BIK to the employee, provided the event is available to **all employees.**

Relevant Contracts Tax (RCT)

Relevant Contracts Tax (RCT)

- RCT is a withholding tax mechanism that applies where a "**relevant contract**" exists between a "**principal**" and a "**contractor**" (subcontractor) to carry out "**relevant operations**", which include construction operations such as the
    - construction, alteration, repair, extension, demolition or dismantling of buildings or structures, and civil engineering works such as roadworks, pipelines, water mains and land drainage installations.
- RCT also extends to forestry and meat processing operations, alongside construction, and the current rates of RCT are zero per cent, 20 per cent (the standard rate) and 35 per cent.
- The system has operated electronically (eRCT) since 1 January 2012, with all interaction between the principal contractor and Revenue conducted through Revenue's Online Service (ROS)
    - subcontractor use of ROS is optional unless they are separately obliged to e-file.

Relevant Contracts Tax (RCT)

What Works require RCT consideration ???

- constructing, altering, repairing, extending or demolishing:
  - buildings or structures

    and
  - works that are part of the land.

- works that form an essential part of, are in preparation for, or complete works such as drilling for minerals, oil, natural gas or other natural resources
- transporting someone else's materials or machinery for use in any of the activities listed above (known as haulage for hire).

Relevant Contracts Tax (RCT)

What Works require RCT consideration ???

- installing, altering or repairing:
  - security systems
  - lighting systems
  - heating systems
  - air conditioning systems
  - soundproofing systems
  - ventilation systems
  - power supply system
  - drainage systems
  - sanitation systems
  - water supply systems
  - telecommunication systems.

Relevant Contracts Tax (RCT)

- cleaning buildings internally and externally in the course of their construction, alteration or repair (not including normal maintenance)
- works which are an essential part of, are in preparation for, or are completing other construction works. This includes:
  - site clearing
  - earth moving
  - excavating
  - tunnelling
  - boring
  - laying foundations
  - erecting scaffolding
  - site restoration
  - landscaping
  - providing roadways and other access works.

Relevant Contracts Tax (RCT)

Forestry

Forestry activities under RCT include:

- thinning, looping, felling or planting trees in woods, forests or other plantations
- maintaining woods, forests, and plantations
- preparing land for planting (this includes woods or forests that have been harvested)
- processing wood in sawmills or other premises
- transporting someone else's materials or machinery for use in any activities listed above (known as haulage for hire).

Relevant Contracts Tax (RCT)

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Meat processing

Meat processing activities under RCT include:

- slaughtering certain animals and poultry
- catching domestic fowl, turkeys, guinea-fowl, ducks or geese
- cutting, boning, sorting, packaging, rewrapping or branding certain slaughtered animals and poultry (and any other similar processes)
- preserving or rendering the carcasses of slaughtered animals and poultry
- loading, unloading and hauling carcasses at any premises where the above activities take place
- cleaning any premises where the above activities take place
- grading, transporting and determining the sex of day-old chicks
- transporting someone else's animals, poultry, materials, machinery or other goods connected to any of the activities listed above (known as haulage for hire).

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Relevant Contracts Tax (RCT)

Practical trigger points for construction practitioners:

- RCT is not confined to Irish-resident principals
  - non-resident principal contractors without a "permanent establishment" in the State who engage a contractor to carry out relevant operations here must still register and operate RCT;
  - a building or construction site lasting more than 6 months is treated as a permanent establishment, and principals can become liable to Irish income tax or corporation tax on the profits of that establishment in addition to RCT obligations.

Relevant Contracts Tax (RCT)

Practical trigger points for construction practitioners:

- Because rates depend on compliance history rather than deal terms, RCT applies mechanically once a relevant contract exists the parties cannot contract out of it, and the subcontractor's own compliance record (not the principal's) drives the applicable withholding rate.

Principal and Subcontractor Obligations

Principal contractor obligations :

(i) contract notification

- Providing Revenue with details of the contract and a declaration that it is not a contract of employment, having first verified the subcontractor's tax identity

(ii) payment notification

- notifying Revenue of every relevant payment immediately <u>before</u> it is made

(iii) deduction authorisation

- Revenue's instantaneous response fixing the rate (zero, 20% or 35%) and the amount to withhold, a copy or the relevant details of which the principal must pass to the subcontractor;

Principal and Subcontractor Obligations

Principal contractor obligations :

(iv) deduction summary/return

- reviewing and, if necessary, amending the periodic summary Revenue prepares from notified payments, which otherwise becomes the deemed return;

and

(v) payment

- of the RCT withheld to Revenue by the due date

Principal and Subcontractor Obligations

- A person who becomes **a principal** must formally register with Revenue within 21 days of entering their first relevant contract,
  - failure to register before making unwithheld payments can expose the principal to penalties.
- Registration details must be kept current
  - changes must be notified within 21 days (or by the end of the following month for cessation),
  - Revenue may cancel a registration it believes has lapsed, subject to 21 days' notice.
- Principals must also keep records of contract notification declarations, relevant payments and tax deducted, registration details, return particulars and tax due, and must obtain from each subcontractor a statement of the work, its cost and the subcontractor's identifying details before submitting a payment notification.

Principal and Subcontractor Obligations

- **Subcontractor obligations** largely mirror the principal's information duties:

  - providing the principal with the subcontractor's "official" Revenue-registered name and tax reference number, and sufficient documentary evidence to allow the principal to verify identity (which the principal must retain).

- Subcontractors must keep a record of every relevant payment received (date, amount, tax deducted, paying principal) and retain each deduction authorisation or its key details, and must produce these to a Revenue officer on request.

- Where Revenue cannot verify a subcontractor's identity from the name and tax reference number supplied, the principal must be required to notify the subcontractor in writing - within 7 days or before the next payment, whichever is earlier - that identity could not be verified, that 35% will be deducted, and that the subcontractor should contact Revenue to resolve it.

- This is a common practical trap where subcontractor details are entered incorrectly or inconsistently across contracts.

Contract Registration and Payment Notifications

Contract notification detail :

On entering into a relevant contract, the principal must electronically provide;

- the subcontractor's tax reference and name,
- confirmation of a fixed place of business,
- the sector,
- nature of work,
- project name/address or site ID,
- start and end dates,
- estimated contract value, and
- must answer whether the principal is satisfied the contract is not a "labour only" contract.

Up to 10 contracts can be submitted in a single ROS transaction.

Contract Registration and Payment Notifications

Amending and rolling contracts :

- Any change to the estimated contract value, duration, or location(s) of relevant operations must be separately notified to Revenue via the "Search Existing RCT Contracts" function,
  - a contract cannot be cancelled once a payment notification has been made under it.

- A single "rolling" contract notification will usually suffice for an ongoing contractual relationship, including non-consecutive jobs or work across multiple sites
  - fresh notification is required if the subcontractor must newly tender for work, the contracting entity changes (e.g. a new group company is set up per site), payment terms change materially (e.g. fixed price to piece work), or no payments were made to the subcontractor in the preceding year.

- This is frequently missed on multi-phase or multi-site developments where the same subcontractor is retained informally across projects.

Contract Registration and Payment Notifications

Payment notifications

- Immediately before making a relevant payment, the principal must notify Revenue of the subcontractor's identity, the contract to which the payment relates, and the gross payment amount.

- A payment notification cannot be amended once submitted

    - if the details later prove incorrect, the principal must cancel and resubmit.

- A narrow relief applies for persistent technology systems failures:
    - penalties will not apply if the principal deducts tax at the subcontractor's last notified rate (or 35% if none),
    - submits a late payment notification immediately on rectification,
    - provides Revenue with the required details of the failure, and
    - pays the tax by the due date

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Contract Registration and Payment Notifications

Rates and determinations

- The applicable rate (zero, 20% or 35%) is determined under sections 530E, 530G and 530H TCA 1997, with the system using available data and caseworkers able to override automated determinations.

- New registrations default to 20% because no three-year compliance history exists, unless Revenue is satisfied that requirement should be disregarded.

- A subcontractor aggrieved by a rate determination may appeal to the Appeal Commissioners within 30 days by submitting a Notice of Appeal,

  - Revenue may still issue a valid deduction authorisation pending the appeal and is not obliged to make a new determination while an appeal is outstanding

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Common Errors and Revenue Interventions

Failure to operate RCT correctly

- Since 1 January 2015, a principal who fails to operate RCT correctly is liable to a penalty scaled to the subcontractor's rate:
    a) 3% of the payment where the subcontractor should have been at zero,
    b) 10% where at 20%, 20% where at 35%, and
    c) 35% where the subcontractor is unknown to Revenue — with liability arising separately for each instance of non-operation.

- Where no payment notification is submitted or a deduction authorisation is not correctly applied, any amount withheld by the principal is simply not RCT in law, and the principal remains exposed to the section 530F penalty and must submit an unreported payment notification.

- Where a principal's mishandling of RCT causes an underpayment to the subcontractor, that is a matter for the subcontractor to pursue against the principal directly — Revenue does not adjudicate that dispute — and any later payment completing a partially unpaid invoice still falls within RCT and needs its own payment notification.

Common Errors and Revenue Interventions

Late returns and payment

- Returns are due by the 23rd day after the return period, a €100 surcharge applies for late returns, and unpaid RCT attracts daily interest of 0.0274%.

- Amendments after the due date are barred in two situations:

  - no amendment can be made to a payment already covered by an issued deduction authorisation, and

  - no amendment can be made once a Revenue audit or investigation into the relevant chargeable period has commenced.

Common Errors and Revenue Interventions

Registration and civil penalty exposure.

- Civil penalties under sections 1052 and 1054 TCA 1997 can be engaged for a wide range of specific failures
  - not submitting contract details,
  - not obtaining/retaining subcontractor identity evidence,
  - not notifying contract changes,
  - misidentifying the contract on a payment notification,
  - not passing deduction authorisation details to a subcontractor,
  - failing to notify Revenue after a technology failure,
  - failing to register (or re-register) as principal,
  - inaccuracies on the periodic return, not obtaining a pre-payment work statement, and
  - inadequate record keeping.

- Persistent non-compliance also carries publication risk, as names of persons who fail to meet RCT obligations, or who fraudulently or negligently supply incorrect information, may be published under section 1086 TCA 1997 on the same basis as other tax defaulters.

Common Errors and Revenue Interventions

Rate reviews and compliance triggers

- Where a subcontractor has one or more returns outstanding for 12 months or more, the system will apply the 35% rate by default
- Bulk rate reviews occur at predetermined intervals, reviewing every live subcontractor except those with an unexpired rate end date set by a caseworker.
- A common error is a subcontractor assuming a zero rate is fixed indefinitely;
    - in practice it is contingent on ongoing three-year rolling compliance and can move against the subcontractor without any conduct on the principal's part.

Practical Case Study Examples (Tax Appeals Commission Determinations)

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Case study 1 — Failure to demonstrate 3-year compliance / new entrant refused zero rate (129TACD2023).

- A newly established construction subcontractor sought to move from the default 20% rate to 0% to ease cash-flow pressure.
- Revenue refused because it had not built up an adequate three-year compliance record.
- Revenue had also requested further information (including on a non-resident director), which the Appellant did not supply.
- The Commissioner upheld Revenue's refusal, holding the Appellant had not discharged the burden of proving entitlement to the zero rate, notwithstanding evidence that the accumulated RCT credit (over €257,000) and a negative cashflow of €51,500 were placing "enormous strain" on the business.

Practical lesson: cash-flow hardship alone does not override the statutory compliance-history threshold, and unresponsiveness to Revenue's information requests is fatal to a section 530G(3) disregard argument.

Practical Case Study Examples (Tax Appeals Commission Determinations)

Case study 2 — Gaps in self-employment record defeating zero rate (77TACD2020).

- An individual "wall fixer" subcontractor was placed on the 20% standard rate rather than the zero rate because of gaps in his self-employed registration history (a period where his registration had lapsed and was not reinstated for several months),
- despite having filed income tax returns for the relevant years;
- Revenue also noted his failure to respond to a request for further information about the employment gap.
- The Commissioner found the Appellant had not discharged the burden of proof and confirmed the 20% rate.

Practical lesson: even brief administrative gaps in registration (as opposed to substantive non-compliance) can prevent qualification for the zero rate, underscoring the importance of maintaining continuous, correctly dated registration status.

Practical Case Study Examples (Tax Appeals Commission Determinations)

Case study 3 — Non-resident (UK) subcontractor unable to evidence foreign compliance (230TACD2025).

- A UK-incorporated construction subcontractor newly registered for Irish corporation tax in 2023 challenged Revenue's determination of the 20% standard rate rather than the zero rate. Because it lacked a three-year Irish compliance history, it needed to rely on section 530G(1)(e) by evidencing three years' comparable compliance with HMRC obligations in the UK;

- Revenue had requested supporting HMRC documentation, but no such evidence was placed before the Commission.

- The Commissioner upheld the 20% determination, noting sympathy for the Appellant's cash-flow position but that it was bound to apply the legislation as it stood.

Practical lesson: non-resident subcontractors seeking the zero rate must proactively obtain and retain formal third-country tax-authority compliance letters — general assertions of good standing, without documentary corroboration placed on the appeal record, will not succeed.

The Five Key Features of eRCT

- Contract Notification – principle notifies Revenue when entering a relevant contract
- Payment Notification – principle notifies Revenue immediately before any relevant payment
- Deduction Authorisation – Revenue confirms the rate to withhold (0%, 20%,or 35%)
- Deduction Summary/Return and Payment of RCT due by the return due date

Deduction Summary and Return (Section 530K)

- At the end of each return period, Revenue makes a deduction summary available in ROS, listing every notified payment.

- The principal must check it and amend if needed before the due date - the 23rd day after the return period ends.

- If unamended, the summary is deemed to be the return.

- A €100 surcharge applies for late returns, and no amendment is possible once a deduction authorisation has issued or a Revenue audit has commenced.

Penalties for Failing to Operate RCT

- Subcontractor compliant – 0% rate : 3% penalty on the relevant payment
- Subcontractor substantially compliant - 20% rate : 10% penalty on the relevant payment
- Subcontractor not compliant - 35 % rate : 20% penalty on the relevant payment
- Subcontractor unknown to Revenue – 35% penalty - effective from January 2015

Common RCT Errors and Interventions

- Make payments before submitting a payment notification and receiving authorisation
- Failing to notify a new contract where the relationship has genuinely changed
- Inconsistent treatment across layered subcontracting chains
- Poor identity verification records, risking 35% ‘unknown’ rate

RCT and the VAT Reverse Charge

Value-Added Tax (VAT) reverse charge

- The person supplying the goods or services normally charges VAT.
- However, where RCT applies to a service the principal contractor accounts for VAT to Revenue directly.
- The principal contractor accounts for VAT as if they had supplied the service.
- This is known as VAT reverse charge. It applies to subcontractors involved in the construction industry only.
- Non-resident subcontractors who provide construction services to principal contractors are not required to register for VAT. However, you may wish to do so in order to claim credit for any VAT paid.

Lunch

Visiting Engineers and International Construction Staff

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Irish PAYE, Tax Residence and Compliance Considerations for Project-Based Assignments

- Irish tax and payroll issues that arise when overseas engineers and construction staff are sent to work on Irish sites:
    - short-term business visitors,
    - longer assignments,
    - employer PAYE obligations,
    - tax residence and double taxation treaty relief, and
    - how to manage compliance across a project's lifecycle

Short-Term Business Visitors (STBVs)

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Who is a temporary assignee?

Revenue's concept of a "temporary assignee" covers both

(i) a short-term business visitor attending meetings or site visits, and

(ii) an individual formally assigned to Ireland for a defined period (for example, a five-month site posting).

Both categories are assessed under the same framework.

Short-Term Business Visitors (STBVs)

The three workday bands

Revenue does not require the foreign employer to operate Irish PAYE in three sets of circumstances, assessed on a tax-year-by-tax-year basis:

1. Up to 30 workdays in a tax year - no PAYE obligation, whether the individual comes from a DTA (double taxation agreement) country or a non-DTA country. If the 30-day threshold is exceeded, PAYE must be operated from the first workday in the State.

2. 31 to 60 workdays in a tax year - no PAYE obligation only where the individual is resident in a DTA country and the conditions of the employment income article (typically Article 15(2) of the OECD Model) are met.

3. 61 workdays up to 183 days in a tax year - no PAYE obligation only where (a) the Article 15(2) conditions are met, and (b) Revenue has issued a formal PAYE dispensation to the employer.

Short-Term Business Visitors (STBVs)

183 days or more

Where an assignee is present for 183 days or more in a tax year,

- PAYE must be operated on the Irish-attributable income and the individual will,
- In most cases, the individual will become Irish tax resident for the year,
- exposing worldwide income to Irish tax subject to treaty relief.

Overseas Engineers Working on Irish Sites

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Charge to Irish tax regardless of residence

- Irrespective of the tax residence of either the employee or the employer, income from a non-Irish employment that is attributable to duties performed in Ireland is chargeable to Irish income tax and falls within the scope of PAYE.

- This applies from day one of Irish workdays unless a specific relief or dispensation applies.

Apportioning income where duties are split

- Where an engineer works partly in Ireland and partly abroad under the same foreign contract, only the portion of income attributable to Irish workdays is within PAYE.

- Revenue accepts several practical apportionment methods (regular weekly/monthly patterns, fixed proportions supported by documented experience, or payment-by-payment apportionment for irregular patterns).

- A formal Revenue direction under section 985E TCA 1997 is only needed where the split cannot be readily determined.

Who has the PAYE obligation?

- Section 985C - if payment is routed through an intermediary and the intermediary fails to operate PAYE, the obligation falls back on the employer.

- Section 985D - where an employee of a non-resident employer works for a different Irish "relevant person" (e.g. the main contractor or site operator) and the non-resident employer fails to operate PAYE, that relevant person must operate it instead.

- Section 985F - mobile workforce provision:

  - Revenue can direct a person engaging a contractor's staff to operate PAYE if it appears the contractor (the real employer) will not.

- Practical implication for main contractors:
  - engaging overseas subcontractor engineers does not automatically shift responsibility away from the site - if the subcontractor does not operate PAYE, the obligation can land on the entity the individual is actually working for on site.

Permanent establishment risk on construction sites

- A building site, or a construction or installation project, can itself constitute a permanent establishment (PE) even though it exists for a limited period, because of the special nature of construction activity.

- Under the Ireland-UK Double Taxation Convention, a building site or construction/installation project lasting more than six months constitutes a PE.

- A PE has two consequences:

    1. the overseas company's project profits become taxable in Ireland, and

    1. any exemption from operating Irish PAYE for staff working at that site is generally unavailable once the remuneration is borne by (i.e. attributable to) the Irish PE.

PAYE Obligations and Employer Considerations

Registration

- An overseas employer with an Irish PAYE obligation must register as an employer for PAYE purposes.
- Employees need a Personal Public Service Number (PPSN) and must register the employment via Revenue's Jobs and Pensions service to receive a Tax Credit Certificate.

Real-time reporting and shadow payroll

- Since 1 January 2019, employers must submit payroll details to Revenue on or before each payment date (real-time reporting).
- Where an employer has simultaneous withholding obligations in the home country and Ireland, a shadow payroll is typically run in Ireland to capture the Irish tax due, with a best estimate of Irish workdays trued up in later submissions as actual days become known.

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PAYE dispensation applications

- Where the 61-183 day band applies and Article 15(2)-type treaty conditions are met, the employer must proactively apply to Revenue for a formal dispensation from operating PAYE - it is not automatic.

- Applications are assessed case by case, since the exact 183-day measurement period (fiscal year versus rolling twelve-month period) depends on the specific treaty.

- If an application is refused, PAYE should be operated from that point forward; Revenue will not penalise an employer who applied in good faith.

Visiting Engineers and International Construction Staff

Tax equalisation and inbound assignees

- Many international engineering staff are sent on tax-equalised assignments: the employer bears actual home and host tax liabilities, deducts notional "hypotax" from home salary, runs a shadow payroll in Ireland, and reconciles at year end (refunding any hypotax over-collected, or seeking top-up from the assignee if under-collected).
- Revenue treats this as a normal feature of international assignments but reviews it closely for compliance purposes.

Visiting Engineers and International Construction Staff

PRSI (social insurance)

- No Irish PRSI liability generally arises on the foreign employment income where the assignee holds a home country social security retention document, or where the Department of Social Protection grants an exemption for the first 52 weeks of assignment.

- This should be checked and documented separately from the PAYE analysis.

Pension contributions for seconded staff

- Continued employer contributions to a home-country pension scheme for a seconded engineer can, in bona fide cases, be treated as non-taxable in Ireland where conditions are met.

Tax Residence and Treaty Considerations

Irish tax residence tests

An individual is Irish tax resident for a year of assessment if present in the State for

- 183 days or more in that year, or
- 280 days or more in aggregate across that year and the preceding year (subject to a de minimis of fewer than 30 days in the later year), or
- by valid election.

"A day" means any day on which the individual is present in the State at any time.

Tax Residence and Treaty Considerations

Why residence matters

Irish tax residents are chargeable on worldwide income (subject to treaty relief and, for non-domiciled individuals, the remittance basis for foreign-source income).

Non-residents are chargeable only on Irish-source income and income attributable to Irish workdays, which is the basis for the STBV bands above.

Tax Residence and Treaty Considerations

Treaty relief

Under the OECD Model (mirrored, with variations, in Ireland's treaties), employment income is taxable only in the individual's country of residence, and not in Ireland, if all three conditions of Article 15(2) are met:

(a) presence in Ireland does not exceed 183 days in any 12-month period commencing or ending in the fiscal year concerned;

(b) remuneration is paid by, or on behalf of, an employer who is not Irish resident; and

(c) the remuneration is not borne by a permanent establishment that the employer has in Ireland.

Each of the three conditions must be checked - a site PE, or an Irish-resident paying entity, can defeat the exemption even where the 183-day day-count condition is satisfied.

Managing Compliance for Project-Based Assignments

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Before mobilization

- Map the expected Irish workday count for each individual and the project as a whole against the 30/60/183-day bands.
- Confirm the home country's treaty status with Ireland.
- Assess whether the project duration and site presence create a permanent establishment risk.
- Identify who the "employer" and any "relevant person".
- Where the 61-183 day band is expected to apply, submit the PAYE dispensation application to Revenue in good time.
- Arrange PPSNs and employer PAYE registration where an Irish withholding obligation is expected.
- Check social security position (A1/Certificate of Coverage) to avoid unnecessary PRSI exposure.

Managing Compliance for Project-Based Assignments

During the assignment

- Track actual workdays against the original estimate - real-time payroll reporting requires corrections in later submissions if the estimate changes.
- Monitor project duration against PE thresholds as the works progress, not just at the outset - delays can tip a site over a six-month (or treaty-specific) threshold.
- Reassess each tax year on a standalone basis - dispensation status and treaty relief do not automatically roll over.
- Maintain shadow payroll and tax equalisation records where applicable, including hypotax calculations.

Managing Compliance for Project-Based Assignments

At year end / assignment close

- Confirm the individual's final Irish residence position and file any required Irish tax returns.
- Complete year-end hypotax reconciliations under any tax equalisation arrangement.
- Revisit PE conclusions if the project ran longer than originally anticipated, and consider whether a mutual agreement procedure claim is needed if a treaty partner's tax authority takes a different view on PE existence.

Managing Tax Risk on Construction Projects

Managing Tax Risk on Construction Projects

- Governance,
- internal controls,
- site-level compliance checks,
- working with labour suppliers, and
- preparing for Revenue reviews and audits.

Internal Controls and Site-Level Checks

- Assign clear ownership for RCT, employment status and BIK decisions – not to site level alone.
- Sign off on new engagements against the five step framework before work begins.
- Link site payment approvals to the RCT payment notification workflow.
- Confirm subcontractor identity/RCT registration and verify travel logs are contemporaneous.

Internal Controls and Governance

- It is every taxpayer's own responsibility to comply with tax and duty obligations, and Revenue expects businesses to manage their tax affairs proactively.

- Cooperative Compliance Framework (CCF) is a voluntary, agreed relationship between a taxpayer and Revenue aimed at achieving the highest level of voluntary compliance through trust and certainty of treatment, with CCF activity classified as a Level 1 (supporting compliance) intervention.

  - Clear ownership of RCT/PAYE/VAT compliance at board or senior management level.

  - A documented process for classifying workers and subcontractors correctly from the outset - Revenue expects businesses to urgently and comprehensively review arrangements with all workers and rectify any that should be treated as employees rather than self-employed.

  - Periodic self-review as standard practice, not just in response to Revenue contact - self-correction or an unprompted qualifying disclosure remains available if the business reviews its own position first.

Site-Level Compliance Checks

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- Contractor identity verification before onboarding:
  - before notifying a contract, a principal must satisfy itself as to the identity of the subcontractor, and
  - must obtain and retain documentary evidence proving that identity.
- Employment status at the point of engagement: use the Supreme Court's five-step framework for every new site engagement.
- Contract notification discipline:
  - a contract notification must be submitted to Revenue before any relevant payments can be notified, and payment notifications must be submitted immediately before each payment is made.
- The contract notification process requires an explicit answer on whether the contract is NOT a labour-only contract — answering "No" triggers a further set of employment-status questions covering materials, plant, control, financial risk, and business substance.
- Ongoing/rolling contracts: remind site teams that a new contract notification is required where the subcontractor has had to tender for new work, the contractual relationship has changed (e.g. a new principal entity per site), payment terms have changed materially, or no payments were made to the subcontractor in the preceding year.

Working with Labour Suppliers and Contractors

- RCT deduction rates and consequences of getting it incorrect:
  - Failure to operate RCT correctly is expensive - penalties.

- VAT reverse charge interaction:
  - where RCT applies, VAT is applied on a reverse charge basis, as are supplies between connected persons.
  - Principal contractors required to operate RCT must register and account for VAT irrespective of turnover, whether resident or non-resident, and must always account for VAT on construction services received from non-resident subcontractors, regardless of whether that subcontractor is VAT registered.

Working with Labour Suppliers and Contractors

- **"Mixed contracts" risk area (materials plus labour, or partly construction/partly not):**
  - this is a live area of Revenue–practitioner engagement.
  - Guidance confirms RCT is only applicable to the installation element of a mixed contract, and apportionment is required where there is a single payment covering both installation and supply of materials or goods — flag this as a common source of under- or over-deduction on live projects.
- Non-resident principal contractors:
  - a non-resident principal without a permanent establishment in the State — where "permanent establishment" includes a building or construction site or installation project lasting more than 6 months — must still register as a principal and operate RCT, a point often missed on cross-border or joint-venture projects.

Preparing for Revenue Reviews and Audits

Compliance Intervention Framework: the three intervention levels

1. Level 1 (Supporting Compliance)

2. Level 2 (Confronting Non-Compliance: Risk Review or Audit), and

3. Level 3 (Revenue Investigation) — represent a graduated response to risk and taxpayer behaviour, not a fixed sequence; Revenue can enter at any level depending on the risk identified.

Timing matters !!!

- A taxpayer receives 28 days' notice of a Level 2 intervention, with the notification specifying whether it is a Risk Review or an Audit and setting out its scope.
- Opportunity to make an unprompted qualifying disclosure ends on the date of that notification letter.
- A prompted qualifying disclosure remains available until the Risk Review or Audit actually starts.

Preparing for Revenue Reviews and Audits

- Behaviour-driven penalty ladder - encouraging pre-emptive compliance:
  - self-correction within time limits attracts no penalty,
  - an unprompted qualifying disclosure with full cooperation attracts a minimum 3% penalty (careless behaviour) versus 20% with no cooperation,
  - once Revenue notifies a Risk Review or Audit, a prompted qualifying disclosure with full cooperation carries a minimum 10% penalty versus 20% without,
  - and once a Revenue Investigation has commenced with no qualifying disclosure, penalties rise to a minimum of 75% with full cooperation, or 100% without.

Preparing for Revenue Reviews and Audits

Practical readiness points for site-based construction businesses:

- Maintain organised and up to date files
- Maintain and keep record of contract notifications,
- Maintain deduction authorisations, and identity-verification records,

Revenue's audit technology relies on real-time risk analytics (including REAP) across VAT and PAYE data

- ❖ Therefore , RCT and payroll data mismatches are readily visible to Revenue before an auditor ever visits site.

Staying Updated

- Monitor Revenue eBriefs and updated Tax and Duty Manuals.
- Track annual Budget and Finance Act changes such as rates, bands and vehicle BIK reliefs.
- Watch for further changes to the Code of Practice on determining Employment status following the Karshan case.
- Attend training courses with awarding bodies and keep CPD up to date.

Thank you

Questions?